

SCHEDULES

SCHEDULE 5

TAX TREATMENT OF FINANCING COSTS AND INCOME

18 After section 348 insert—

“348A Financial statements: business combinations to which the worldwide group is a party

- (1) Subsection (2) applies where—
 - (a) a business combination or demerger occurs to which the worldwide group is party (“the relevant event”),
 - (b) as a result of the relevant event, there is a change in the identity of the ultimate parent of—
 - (i) the worldwide group, or
 - (ii) any other group which is party to the relevant event, and
 - (c) financial statements of the worldwide group are drawn up, or (in the absence of this section) would be treated as drawn up under section 348, for a period which begins before and ends after the relevant event (“the straddling period”).
- (2) This Part (apart from this section) applies as if—
 - (a) no financial statements of the worldwide group had been drawn up for the straddling period,
 - (b) section 348 did not apply to that period, and
 - (c) IAS financial statements had been drawn up in respect of each of the following—
 - (i) the period beginning at the same time as the straddling period and ending immediately before the relevant event, and
 - (ii) the period beginning with the relevant event and ending at the same time as the straddling period.
- (3) For the purposes of this section—
 - (a) “demerger” means a transaction by which one or more groups cease to be members of a group,
 - (b) a group is party to a business combination or demerger if the business combination or demerger affects one or more members of the group, and
 - (c) the reference to “IAS financial statements” is to be construed in accordance with section 348(5).”